

**MINUTES
of the
SECOND MEETING
of the
JOBS COUNCIL**

**July 19, 2013
Carpenters Training Center Auditorium
Albuquerque**

The second meeting of the Jobs Council (council) for the 2013 interim was called to order by Representative W. Ken Martinez, co-chair, on July 19, 2013 at 10:21 a.m. at the Carpenters Training Center auditorium in Albuquerque.

Present

Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papen, Co-Chair
Ray M. Baca
Rep. Donald E. Bratton
Terry Brunner
Matthew E. Gonzales (representing
Beverlee J. McClure)
Sen. Phil A. Griego
Sen. Stuart Ingle
Rep. Debbie A. Rodella
Sen. Michael S. Sanchez

Absent

Rep. Rick Miera

Advisory Members

Rep. Mary Helen Garcia
Rep. Stephanie Garcia Richard
Sen. George K. Munoz
Sen. Michael Padilla

Sen. William F. Burt
Sen. John C. Ryan
Rep. Thomas C. Taylor
Rep. James P. White

Guest Legislator

Rep. Alonzo Baldonado

Staff

Raúl E. Burciaga, Director, Legislative Council Service (LCS)
Claudia Armijo, Staff Attorney, LCS
Abby Wolberg, Legal Intern, LCS
Alexandria Tapia, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Friday, July 19

Motion

The council, without objection, approved the minutes of the first council meeting.

Review of Session One (Coherence) and Introduction to Session Two (Economic Predicament)

Mark Lautman, lead program consultant for the council, reviewed the five-step process being followed by the council. He observed that the process is, among other things, sector-specific, and indispensable job-creating industries will be the focus of the council's work.

Mr. Lautman said that the objective of the second council meeting is to consider the state's economic predicament and try to determine the number of economic-base jobs that should be created in order for the state to be economically healthy in 2023. The council's goal is to establish both the number of economic-base jobs and the regions in which those jobs could be created. Economic-base jobs are those that produce goods and services that are purchased by consumers from outside New Mexico.

Questions

A council member asked whether population growth will result from creating jobs and suggested that the council should take population growth into account. Mr. Lautman agreed that population growth will be considered and reiterated that the calculations and estimates that the council arrives at will represent informed guesses.

A council member asked whether the council's goal is to arrive at one estimated number of jobs to be created or to suggest several aspirational projections. Mr. Lautman responded that it is most important that the council agree on the number of economic-base jobs needed in the state in order to ensure the state's economic health. That number can be recalibrated by the council, if necessary, but having the council's initial agreement as to that figure will allow the council to progress toward its ultimate goal.

Expert Panel on Economic Predicament: Jobs Lost Since the Recession; Relevant Statistics

Dr. Jim Peach, regents professor of economics, applied statistics and international business, New Mexico State University, highlighted the difference between economic development and economic growth. Economic growth can be easily measured and does not change the structure of the economy. Economic development is a more complicated process that involves structural changes in the economy.

Dr. Peach noted that data show that New Mexico is having trouble recovering from the Great Recession. Economic growth and population growth are generally stagnant, and they have

declined in many of the state's counties. New Mexico's poverty rates are higher than the national average. New Mexico is not keeping pace with neighboring states; it is losing jobs in almost every employment sector, and its gross domestic product growth in 2012 ranked forty-seventh in the country. There is potential for the state's economy to improve.

Dr. Peach opined that, historically, the state's economic development strategy — based on attempts to use incentives to entice large firms to relocate to New Mexico — has not been very effective. He added that the state has many resources, but companies are looking for highly trained and well-educated workers. He suggested that the state needs to establish a K-20 educational program that competes with those in neighboring states. The state's work force needs to be well-prepared in calculus and physics and trained to enter the most valuable employment sectors. The oil and gas industry, the leading sector in New Mexico, does not provide many well-paying direct jobs. The state's public employment sector is lagging; Dr. Peach warned that this sector should not be ignored because it represents such a large portion of the state's economy.

Dr. Lee Reynis, director of the Bureau of Business and Economic Research (BBER) at the University of New Mexico, noted that New Mexico's employment numbers fell sharply at the end of 2010, and since that time, there has not been much progress. This situation contrasts with states surrounding New Mexico and with the nation as a whole, which are experiencing job growth. Dr. Reynis noted that New Mexico lost 52,000 non-farming jobs and has regained 13,000 of the jobs that were lost.

Dr. Reynis explained that the recent Great Recession was unlike other recessions, in which the public sector provided some insulation from the impacts of the economic downturn. The recent recession saw losses across many employment sectors, which decreased revenue to all levels of government. Governments tried to cut spending, and as a result, the public sector became a drag on the economy.

Dr. Reynis said that over time, government has grown, but after 2008, the number of government jobs began to shrink. State and local governments are seeing some improvement, but the federal government will likely continue to shrink because of the political climate in Washington, DC, and because of an emphasis on reducing the federal deficit. She added that New Mexico's economy is dependent on federal money; New Mexico has a disproportionate number of military and federal jobs compared to other states, and the number of those jobs is dwindling. The BBER has attempted to predict the full effect of the sequester and estimates that the sequester will result in a permanent reduction of 20,000 jobs in the state.

Questions

A council member mentioned that there have been problems in securing bank loans for constructing housing and highways in areas such as Hobbs. Dr. Peach said that capital exists and that banks have money to lend, but since oil prices are volatile, banks consider oil and gas industry-related investments to be high-risk investments. Dr. Peach said that he has spoken with

bankers who say they are willing to lend to people with reasonable and established business plans.

A council member asked about the potential impact on employment of the federal Patient Protection and Affordable Care Act (PPACA). Dr. Reynis explained that the PPACA includes an expansion of Medicaid, which will provide many people with access to health care. She noted that New Mexico historically has been underserved, and improving the state's health care system and infrastructure is necessary.

A council member asked how the legislature can help spur job growth. Dr. Reynis replied that businesses need a trained and educated work force. Attracting businesses to New Mexico from outside the state should not be the only approach; expanding and improving businesses already in New Mexico should also be considered.

Dr. Peach said that the state needs to focus on its work force and on transportation and communication infrastructure before it considers the state's tax structure. He added that the state's higher education system needs restructuring because there are too many four-year institutions, and community colleges and small school districts cannot be funded adequately or efficiently.

A council member suggested that educated people are unable to find jobs and are leaving the state and asked whether data related to this trend are being collected. Dr. Peach said that the geographic mobility of labor adds greatly to economic efficiency. He added that it is nearly impossible to track New Mexico's graduates after they leave the state.

A council member asked how New Mexico can improve its rank of forty-seventh in state gross domestic product in 2011 through 2012. Dr. Peach said that the state needs to adopt an economic development strategy focused on energy and education but that a complete economic turnaround in a few years cannot be expected. Dr. Reynis added that technology is constantly changing, and people need core educational competencies in order to secure new jobs and learn new skills. The work force needs to be adaptable and ready to perform various types of jobs.

Session Two (Economic Predicament): Deliberation and Consensus on Number of Jobs Lost and Target Number of Jobs to be Created

Tim Karpoff of Karpoff and Associates, facilitator for the council, facilitated a discussion with council members about the total number of economic-base and other jobs that the council believes need to be created in the state.

The council discussed the following factors that influence the number of economic-base jobs that the state will need to create in order to achieve economic health in 10 years:

- population growth;
- work force participation rate;
- unemployment rate;

- economic-base jobs rate; and
- economic-base jobs attrition rate.

For the purpose of the council's goal — arriving at an estimated number of economic-base jobs that the state should create — the council considered these factors and was tasked with collectively agreeing on percentages and values for use in completing the matrix shown below. The council deliberated and reached consensus on the percentages and values to be assigned to each of the factors. Those values were used to calculate the council's initial estimate of the number of economic-base jobs to be created over the next 10 years: 160,883. Dr. Peach and Dr. Reynis, along with Mr. Lautman, provided testimony and assistance to the council throughout deliberation.

	2013	2023	Calculus Used (2013)	Calculus Used (2023)	Decade Deltas	Descriptions
Population Growth	2,091,000	2,300,100		10%	209,100	Change in New Population
Workforce Participation	993,225	1,092,548	48%	48%	99,323	Change in Jobs for Population Growth
Unemployment Rate	89,390	43,702	9%	4%	45,688	Jobs to reach Goal Unemployment Rate
Employment Rate	903,835	1,048,846	91%	96%	145,011	Total Jobs Needed at Goal Employment Rate
E-base Jobs Rate	316,342	367,096	35%	35%	50,754	E-base needed for full employment
E-base Attrition Rate		110,129		30%	110,129	To replace E-base jobs lost
Total E-base Needs					160,883	Total E-base jobs needed
Annual E-base Program Reliant					16088	Average needed per Year
						How many are procured by programs vs automatically?

During the council's deliberation on population growth, Dr. Reynis noted that recent population growth data for the state suggest that the council might use a 1.7% population growth rate estimate for calculations in the matrix. The council considered using 1.7%, which aligns with current population growth, but ultimately decided that it was too high given that economic pressures may cause New Mexico's population to decline in coming years. The council discussed and reached consensus on using a 1% population growth rate instead.

The council also considered how work force participation would factor into its calculations. Work force participation, as used in the matrix, represents the percentage of the total population in New Mexico that is willing and able to work. It was reported that the current work force participation rate is as low as 43% in certain counties in the state; however, several council members suggested that it would be more appropriate to use a rate closer to 50%. After some discussion, the council agreed it would use 48% as its estimate of work force participation when calculating the number of economic-base jobs needed.

The council discussed the state's unemployment rate and how it will affect the council's estimate of jobs needed. It was noted that there is a difference between the reported rate of unemployment in the state, which includes only those persons who have sought assistance for their unemployment, and the actual rate of unemployment. Dr. Reynis suggested that New Mexico's actual rate of unemployment is likely between 9% and 14%. After deliberation, the council chose to use 9% as the actual unemployment rate affecting job necessity in the state. (See "Unemployment Rate/Calculus Used (2013)" in the matrix.) There was a discussion of the term "structural unemployment rate", which is used to describe the rate of unemployment that cannot be remedied or avoided because it includes persons who are willing and able to work but who, for unavoidable reasons, are temporarily unemployed. The council agreed that for the purpose of its calculations it would use a structural unemployment rate of 4%. (See "Unemployment Rate/Calculus Used (2023)" in the matrix.) That rate represents the percentage of unemployment in the state that is expected to exist even with successful job creation and employment efforts.

The council was charged with agreeing on a percentage that represents the portion of jobs in New Mexico's economy that are economic-base (e-base) jobs. In its discussion of the e-base jobs rate, the council heard testimony from Dr. Peach and Dr. Reynis. The council considered situations in which a product is manufactured in New Mexico and sold to a New Mexican, who would then use the product as a component of another product that is ultimately sold to an out-of-state consumer. The council deliberated and agreed that it would use 35% as the percentage of jobs in the state that are economic-base jobs.

Finally, the council considered the e-base attrition rate, or the rate at which the state will lose economic-base jobs during the next 10 years. The loss of economic-base jobs was described as inevitable, given that some companies and employers in the state will likely relocate or downsize during the next 10 years. The council heard that some data on attrition rates for economic-base employers have been collected by the City of Rio Rancho. With respect to call centers, Rio Rancho's data show that the duration of call centers is typically five to seven years. The data also show, however, that if a call center survives to seven years, it will likely continue operations for 15 years. The council deliberated and considered the data collected by Rio Rancho and decided that it would use an attrition rate of 30%. (See E-Base Attrition Rate/Calculus Used (2023) in the matrix.)

After reaching consensus on the factors to be used in its initial calculations, the council applied those factors to the data shown in the first column of the matrix and determined that New Mexico will need to create 160,883 economic-base jobs by 2023 to ensure economic health. (See "Total E-Base Needs/Decade Deltas" in the matrix.)

A council member asked how the original figures in the matrix were computed. Dr. Reynis noted that the chart includes projections from a few years ago. Since that time, New Mexico's job growth has decreased; Dr. Reynis said she believes that the state's population in

2023 will not be as high as that originally shown in the chart. Mr. Lautman noted that the goal of the council's process is to decide on reasonable estimates in order to allow the council to develop a strategy.

A member of the audience, David Foster, noted that it is important that the council not place the target numbers too low. Mr. Lautman replied that the figures used should not be unreasonably high because those figures will be used by the council when it considers the number of jobs that need to be created. A council member asked whether population growth is expected in urban areas or in rural areas. Mr. Karpoff suggested that there may be flat growth in some areas. Dr. Reynis added that a high rate of population growth is not always desirable because it can be expensive to sustain.

A council member noted that many retirees are employed part time. Dr. Reynis stated that many people have had their retirement disrupted and that those people might have to work longer than anticipated. Dr. Peach added that there is a less than 25% chance that a person over the age of 65 will be in the work force.

Mr. Lautman said that the council will consider possible restraints to job growth in its October meeting.

Preview of Session Three (Economic Sector Selection)

Mr. Lautman reviewed a chart, divided into employment sectors, with the council. He said that the council will determine the figures and factors to be used in the chart's calculations to help establish a number of economic-base jobs and the employment sectors in which those jobs might be created. He also explained that at the council's August meeting, subject matter experts representing the listed employment sectors will be present to assist the council with its deliberations.

A council member recalled a presentation before the interim Economic and Rural Development Committee related to the oil and gas industry and inquired about job creation in that industry. Mr. Lautman said that in the 1980s and 1990s, the oil and gas industry created many jobs, but the industry has now automated many of its operations and, as a result, does not create as many jobs. He added that, given the state's employment situation, any type of job creation is important, but the state should consider how many jobs might be in danger if water issues associated with the oil and gas industry are not resolved. A council member noted that hydraulic fracturing (fracking) has created many jobs, such as truck driving for hauling water in and out of fracking sites.

Public Comment

Mr. Foster opined that the council's meetings should be two days instead of one. He said that the structure of each employment sector is complicated, and he wonders how certain sectors might be encouraged to participate. Mr. Lautman said that these issues would be considered at later meetings.

A member of the audience asked how the council would consider health care-related issues. Mr. Lautman explained that the council will discuss the expansion of the health care network and the state's ability to grow the core of the economy, which includes health care-based issues. He said the council will have a one-day session dedicated to calculating numbers, including those related to the health care field. Mr. Lautman received a suggestion from a member of the Legislative Finance Committee (LFC) to look at an extensive LFC report on the effect of Medicaid expansion.

Adjournment

There being no further business before the council, the second meeting of the Jobs Council for the 2013 interim adjourned at 2:39 p.m.